Report to the
Auburn City Council
City Clerks Office

To:	Mayor and City Council Members
From:	Mayor Bridget Powers
Prepared by:	Amy M. Lind, Deputy/Assistant City Clerk
Date:	April 14, 2014
Subject:	Opposition Letter to Proposed Changes to the CalPERS Health Plan Regions

The Issue

Shall the City Council support a letter in opposition to the proposed changes in to the CalPERS health plan regions?

Conclusion and Recommendation

By **MOTION,** approve the letter in opposition to the proposed changes   to the CalPERS health plan regions.

Background

This letter will express the City Council's opposition to the proposed alternatives #1 (i.e., combining the Sacramento Area region into the Bay Area region) and #4 (i.e., move seven counties from the Bay Area into the Sacramento Region) as proposed changes to the CalPERS health plan regions. CalPERS staff have projected that both of these alternatives would result in a 12-13 percent increase in premiums for membership in the Sacramento Area region.

The letter also shows support for recommending to the CalPERS Board either alternative #2 or alternative #5. Since there would be a slight cost increase to the Sacramento Area region as a result of alternative #3, the letter will not advocate for consideration of this option.

April 10, 2014

Priya Mathur, Chair
CalPERS
Board of Administration
Pension and Health Benefits Committee
P.O. Box 942701
Sacramento, CA 94229-2701

RE: Opposition to Proposed Changes to the CalPERS Health Plan Regions

Dear Chair Mathur:

On behalf of the Auburn City Council, we respectfully request you consider our opposition to the proposed alternatives #1 (i.e., combining the Sacramento Area region into the Bay Area region) and #4 (i.e., move seven counties from the Bay Area into the Sacramento Region). CalPERS staff have projected that both of these alternatives would result in a 12 to 13 percent increase in premiums for membership in the Sacramento Area region.

In 2009, CalPERS carved out the current three county members to separate the Sacramento Area counties from the Bay Area counties for distinct reasons. There is clearly a higher cost of living for many of the counties in the Bay Area region. Despite the competitive nature of the various medical providers in the Sacramento area, membership has still experienced significant increases in premiums over the past few years. In 2014, our employees experienced a $480 per month (40.74%) increase in the lowest cost plan (i.e. PERS Select) for the Sacramento Area region. On average, the plan premium increases were 5.78 percent in 2014 (excluding new plans), which followed an average increase of 8.39 percent increase across plans in 2013 for the Sacramento region. Kaiser premiums alone have increased by 20 percent in the Sacramento region for 2013 and 2014 combined. Any additional increase in premiums, whether it hits the agency budget, employee or retiree budget directly, would be catastrophic for membership in the Sacramento Area Region.

For the reasons listed previously, we urge your committee to reject alternative #1 and #4 and consider support for recommending to the CalPERS Board either alternative #2 or alternative #5. Since there would be a slight cost increase to the Sacramento Area region as a result of alternative #3, we do not advocate for consideration of this option. Moving the six counties (Amador, Nevada, San Joaquin, Sutter, Yolo, and Yuba) into the Sacramento Region (i.e., Alternative 2) "better reflect recent geographical variance in health care costs compared to the

current regions," which should be a key consideration for the proposed realignment of health plan regions.

If you have any questions about our position, please contact Interim City Manager Richard J. Ramirez at 530-823-4211 X192. Thank you.

Sincerely,

Bridget Powers   Richard J. Ramirez
Mayor   Interim City Manager

CC: Doug McKeever, Division Chief, Health Policy Research Division

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